

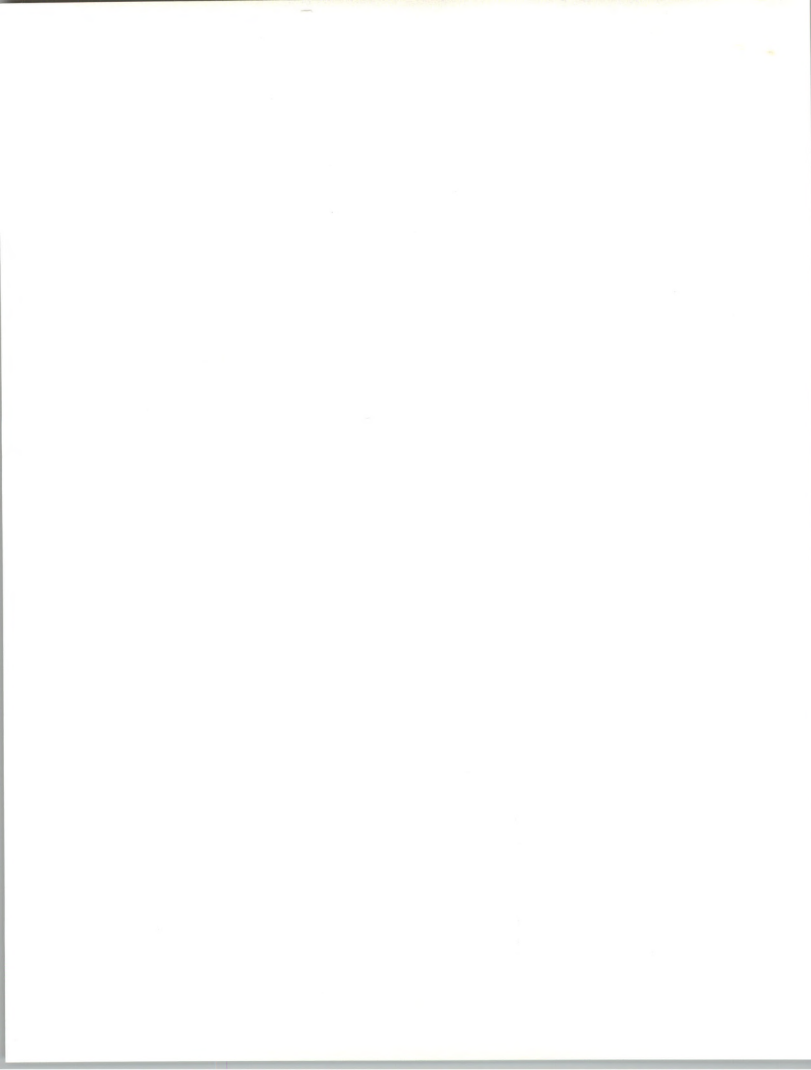
Outsourcing Presentation

for
Hoskyns Ltd.

June 17, 1992

INPUT®

London • Paris • Frankfurt • San Francisco • New York • Washington, D.C. • Tokyo



Published by
INPUT
1953 Gallows Road, Suite 560
Vienna, VA 22182-3934
U.S.A.

**U.S. Outsourcing Information Systems
Program**
(SOSOP)

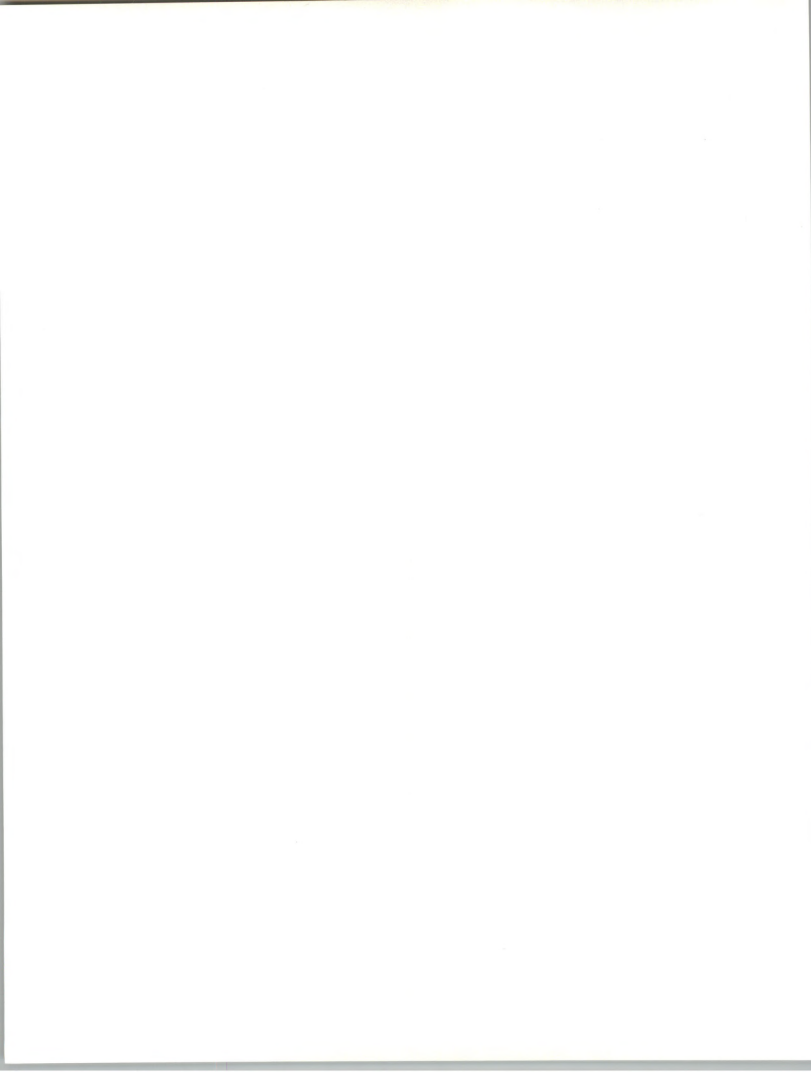
Outsourcing Presentation

Copyright © 1992 by INPUT. All rights reserved.
Printed in the United States of America.

No part of this publication may be reproduced or distributed in any form, or by any means, or stored in a data base or retrieval system, without the prior written permission of the publisher.

The information provided in this report shall be used only by the employees of and within the current corporate structure of INPUT's clients, and will not be disclosed to any other organization or person including parent, subsidiary, or affiliated organization without prior written consent of INPUT.

INPUT exercises its best efforts in preparation of the information provided in this report and believes the information contained herein to be accurate. However, INPUT shall have no liability for any loss or expense that may result from incompleteness or inaccuracy of the information provided.



INPUT

California, New York, Washington D.C.,
London, Paris, Tokyo, Frankfurt

Emphasis on Primary Research

Experienced Senior Executives

Comprehensive Forecasts

MS-7

INPUT

Notes



SO/SI Market Analysis Research Basis

- Telephone and on-site interviews
 - 350 vendor revenue surveys
 - 30 detailed vendor profiles
 - 50 vendor interviews
 - 120 user interviews

SO-245a

INPUT

Notes



SO/SI Market Analysis Research Basis

- Contract data base
 - 160 outsourcing contracts
 - 240 SI contracts

SO-245b

INPUT

Notes



Information Systems Outsourcing

OU-83

INPUT

Notes



Outsourcing is the
contracting of information
systems processes to
external vendors.

OU-6a

INPUT

Notes



- Systems outsourcing is function oriented
- Systems integration is project oriented

SO-240

INPUT

Notes



**"I haven't lost 200 people,
I've gained 50,000."**

**Jack Livingston,
National Car Rental**

Source: *Fortune* article

OU-3a

INPUT

Notes



“IBM runs our computer center as it’s supposed to be run—as a profit center, not a cost center.”

Kathy Hudson, Kodak

Source: *Fortune* article

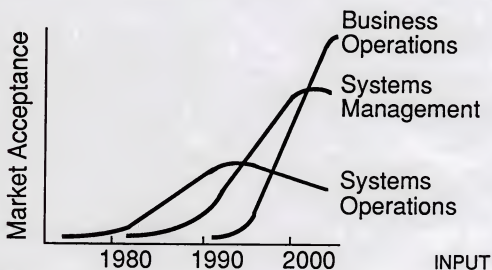
OU-2a

INPUT

Notes



Outsourcing Market Waves



Notes



U.S. Outsourcing Market Forecast

OU-85

INPUT

Notes

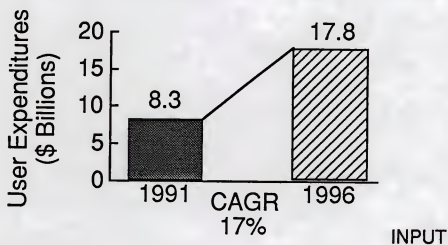
6/10/92

© 1992 by INPUT. Reproduction Prohibited.

INPUT



U.S. Outsourcing Market Forecast, 1991-1996



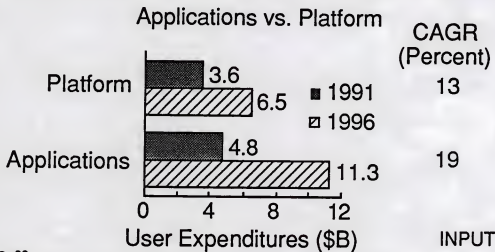
SO- 19a

Notes

6/10/92



U.S. Outsourcing Market Forecast, 1991-1996

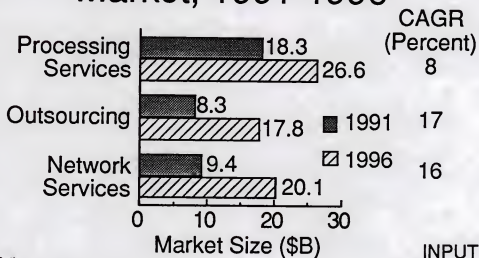


SO- 98

Notes



U.S. Information Services Market, 1991-1996



MF-4b

Notes

Outsourcing Market Trends/Issues

OU-86

INPUT

Notes

6/10/92

© 1992 by INPUT. Reproduction Prohibited.

INPUT



Driving Forces—Outsourcing

Category	Outsourcing
Response	Service requirements Flexible operations
Financial	Cost reduction New scales of economy
Management	Executive refocus

OU-25

INPUT

Notes



Driving Forces—Outsourcing

Category	Outsourcing
Staff	Scarcity of talents
Technology	Increasing complexity New technology

OU-24

INPUT

Notes



Inhibiting Factors Outsourcing

Category	Outsourcing
Management	Loss of control
Fallback	Inability to reverse decision

OU-25a

INPUT

Notes



Inhibiting Factors Outsourcing

Category	Outsourcing
Financial	Uncertain savings
Staff	Threat to organization

OU-25b

INPUT

Notes



Outsourcing User Issues

- Business environment
 - Critical value of information
 - Organizational impact
 - Flexibility for change

OU-25c

INPUT

Notes



Outsourcing User Issues

- Operating environment
 - Dependency on vendor
 - Long-term stability
 - Improved service levels
 - Control over operating costs

OU-25d

INPUT

Notes



Major Vendor Strategies

SICO1-JP1-37

INPUT

Notes



Leading U.S. SO Vendors

Vendor	1990 Market Share (Percent)
EDS	14
CSC	6
Systematics	3
ISSC	3

SO- 25a

INPUT

Notes



EDS

- 1990 sales - \$6 billion
- 60,000 employees
- Outsourcing market leader
- Large accounts focus

SO-202a

INPUT

Notes

11/14/91



EDS Outsourcing Strategy

- Maintain market dominance
- Acquire client assets
- Leverage acquired assets
 - Reservation systems
 - Manufacturing software

SO- 202b

INPUT

Notes



IBM

- 1990 sales - \$69 billion
- 374,000 employees
- World information technology leader

SO-204a

INPUT

Notes



IBM Outsourcing Strategy

- Focus marketing through ISSC
- Leverage base of experience:
 - Banking
 - Retailing
 - Manufacturing
- Early wins—platform operations

SO-204b

INPUT

Notes



Andersen Consulting

- 1990 CY sales - \$2 billion
- 19,000 professionals
- Reexamining marketing strategies

SO-206a

INPUT

Notes



Andersen Outsourcing Strategy

- Reduce emphasis on processing
- Focus on applications management
- Use consulting as entree

SO- 206b

INPUT

Notes

11/14/91



Computer Sciences Corporation

- 1991 revenue - \$1.7 billion
- 22,000 professionals
- Strong acquisition activity

SO- 212a

INPUT

Notes



CSC Outsourcing Strategy

- Leverage federal experience
- Gain commercial market share
- Focus on applications processing

SO- 212d

INPUT

Notes

11/14/91



Vendor Strategies

- Invest in client business
- Hire client staff
- Acquire participating firms
- Develop risk containment

SO-27

INPUT

Notes



Vendor Strategies

- Provide full service
- Focus on vertical market
- Target companies in transition
- Form ad hoc alliances

SO-26

INPUT

Notes



Major Contracts

OU-87

INPUT

Notes

6/10/92

© 1992 by INPUT. Reproduction Prohibited.

INPUT



IBM—United Technologies

- \$1 billion over ten years (estimate)
- UT traditional in-house focus
- Platform processing, not applications
- Three UT divisions (1 data center)

SO-241

INPUT

Notes

11/14/91



CSC—General Dynamics

- \$3 billion over ten years
- 2,600 people transfer to CSC
- Applications management/processing
- Culture = 2 defense contractors

SO-242

INPUT

Notes



Perot Systems NCNB Bank

- \$200 million over ten years
- 240 people transferred
- Data center operations
- Started as systems integration project

SO-244

INPUT

Notes



Andersen BP Exploration (U.K.)

- \$50 million over 4 years
- 260 staff transferred
- Assume business (billing) operations

SO-243

INPUT

Notes



Outsourcing Contracting and Pricing

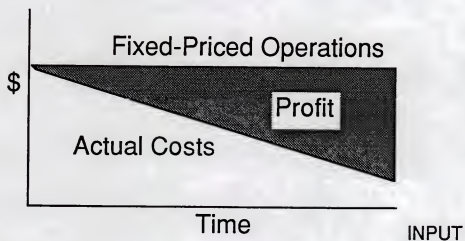
OU-88

INPUT

Notes



Outsourcing Efficiency Yields Profits

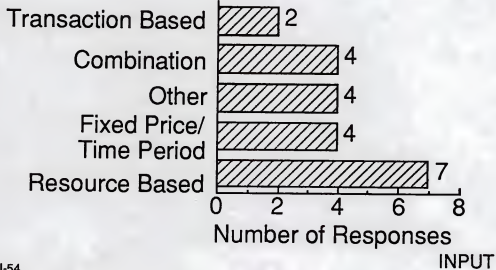


SO-17

Notes



Pricing Terms



OU-54

Notes



Value Pricing Concept

- Three components
 - Audience
 - Determine benefit
 - Cost of achieving benefit
- EDS and DEC

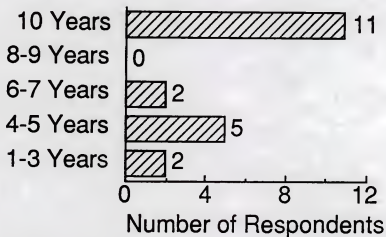
OU-89

INPUT

Notes



Contract Length



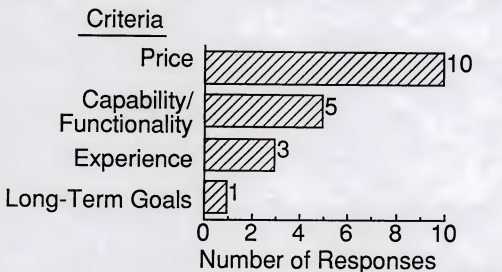
OU-53 Average contract length: 7.7 years

INPUT

Notes



Important Evaluation Criteria

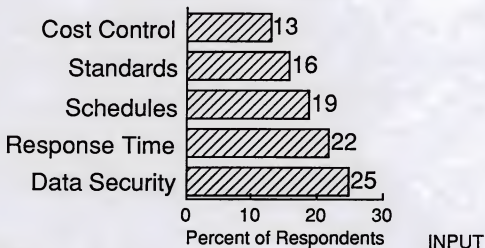


ou-52 Note: 13 respondents answered the question

Notes



Typical Contract Performance Measurements

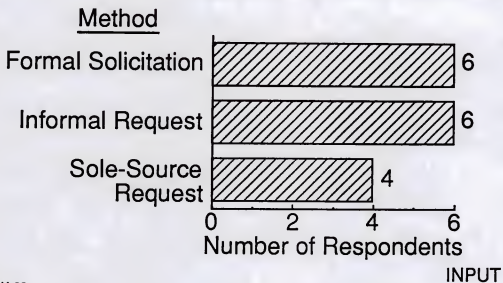


SO-124

Notes



Vendor Solicitation Methods



OU-82

Notes



Systems Operations Client Staffing

	Before Contracting	After Contracting
Bank	300	5
Government Agency	64	36
Retail Chain	70	0

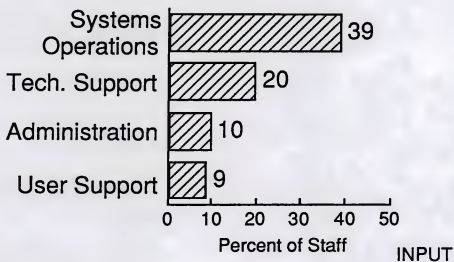
SO-117

INPUT

Notes



Typical Vendor Personnel Profile



SO-133

Notes



Market Diversification

OU-90

INPUT

Notes



IS Outsourcing Areas

1. Systems operations
2. Applications management
3. Network operations
4. Desktop services

OU-7

INPUT

Notes

the 1990s, the number of people with a mental health problem has increased by 50% (Mental Health Foundation 2000). The prevalence of mental health problems has increased in the general population, and the incidence of mental health problems has increased in the prison population.

There is a growing awareness of the need to address the mental health needs of prisoners. The Department of Health (2000) has published a strategy for mental health services, which includes a commitment to improve the mental health of prisoners. The Department of Health (2000) has also published a strategy for mental health services, which includes a commitment to improve the mental health of prisoners.

The Department of Health (2000) has published a strategy for mental health services, which includes a commitment to improve the mental health of prisoners. The Department of Health (2000) has also published a strategy for mental health services, which includes a commitment to improve the mental health of prisoners.

The Department of Health (2000) has published a strategy for mental health services, which includes a commitment to improve the mental health of prisoners. The Department of Health (2000) has also published a strategy for mental health services, which includes a commitment to improve the mental health of prisoners.

The Department of Health (2000) has published a strategy for mental health services, which includes a commitment to improve the mental health of prisoners. The Department of Health (2000) has also published a strategy for mental health services, which includes a commitment to improve the mental health of prisoners.

The Department of Health (2000) has published a strategy for mental health services, which includes a commitment to improve the mental health of prisoners. The Department of Health (2000) has also published a strategy for mental health services, which includes a commitment to improve the mental health of prisoners.

The Department of Health (2000) has published a strategy for mental health services, which includes a commitment to improve the mental health of prisoners. The Department of Health (2000) has also published a strategy for mental health services, which includes a commitment to improve the mental health of prisoners.

The Department of Health (2000) has published a strategy for mental health services, which includes a commitment to improve the mental health of prisoners. The Department of Health (2000) has also published a strategy for mental health services, which includes a commitment to improve the mental health of prisoners.

Outsourced Functions

Function	Number of Resp.	
	Yes	No
Processing Operations	20	1
Network Operations	10	11
Applications Management	10	11
Applications Maintenance	1	20
Desktop Services	7	14

OU-51

INPUT

Notes



Applications Management

- Outsourcing of IS applications and IS operations
- Includes both maintenance and applications development

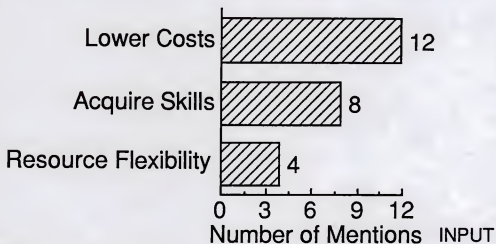
SO-75

INPUT

Notes



Buyer Motivation Outsourcing of Appl. Mgmt.

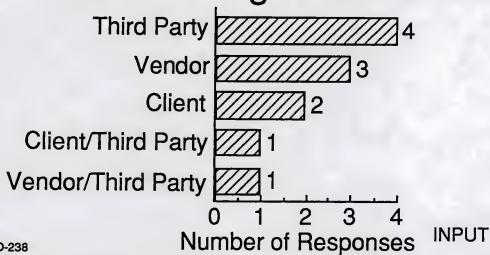


SO-237

Notes



Software Managed by Outsourcing Vendors



SO-238

Notes



Outsourcing of Network Management

OU-56

INPUT

Notes

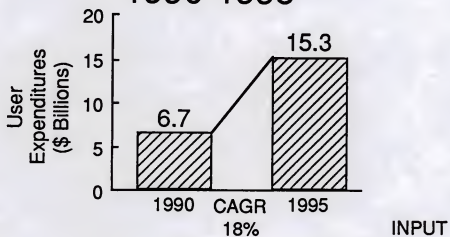
4/15/92

© 1992 by INPUT. Reproduction Prohibited.

INPUT



Network Management Expenditure Forecast, 1990-1995

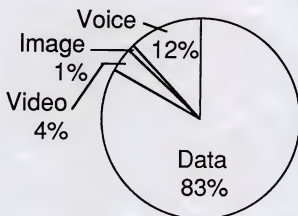


SO-92

Notes



Network Operations Management Revenue



OU-61

INPUT

Notes

the 1990s, the number of people with a mental health problem has increased by 50% (Mental Health Foundation 1999).

There is a growing awareness of the need to address the needs of people with mental health problems, and the importance of the role of the community in this. The World Health Organization (WHO) has developed a number of initiatives to address the needs of people with mental health problems, including the 'Mental Health Action Plan' (WHO 1993) and the 'Mental Health Strategy' (WHO 1999). The WHO has also developed a number of guidelines for the management of people with mental health problems, including the 'Guidelines for the Management of People with Mental Health Problems' (WHO 1993) and the 'Guidelines for the Management of People with Mental Health Problems' (WHO 1999).

The WHO has also developed a number of initiatives to address the needs of people with mental health problems, including the 'Mental Health Action Plan' (WHO 1993) and the 'Mental Health Strategy' (WHO 1999). The WHO has also developed a number of guidelines for the management of people with mental health problems, including the 'Guidelines for the Management of People with Mental Health Problems' (WHO 1993) and the 'Guidelines for the Management of People with Mental Health Problems' (WHO 1999).

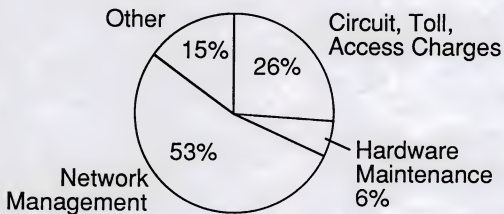
The WHO has also developed a number of initiatives to address the needs of people with mental health problems, including the 'Mental Health Action Plan' (WHO 1993) and the 'Mental Health Strategy' (WHO 1999). The WHO has also developed a number of guidelines for the management of people with mental health problems, including the 'Guidelines for the Management of People with Mental Health Problems' (WHO 1993) and the 'Guidelines for the Management of People with Mental Health Problems' (WHO 1999).

The WHO has also developed a number of initiatives to address the needs of people with mental health problems, including the 'Mental Health Action Plan' (WHO 1993) and the 'Mental Health Strategy' (WHO 1999). The WHO has also developed a number of guidelines for the management of people with mental health problems, including the 'Guidelines for the Management of People with Mental Health Problems' (WHO 1993) and the 'Guidelines for the Management of People with Mental Health Problems' (WHO 1999).

The WHO has also developed a number of initiatives to address the needs of people with mental health problems, including the 'Mental Health Action Plan' (WHO 1993) and the 'Mental Health Strategy' (WHO 1999). The WHO has also developed a number of guidelines for the management of people with mental health problems, including the 'Guidelines for the Management of People with Mental Health Problems' (WHO 1993) and the 'Guidelines for the Management of People with Mental Health Problems' (WHO 1999).

The WHO has also developed a number of initiatives to address the needs of people with mental health problems, including the 'Mental Health Action Plan' (WHO 1993) and the 'Mental Health Strategy' (WHO 1999). The WHO has also developed a number of guidelines for the management of people with mental health problems, including the 'Guidelines for the Management of People with Mental Health Problems' (WHO 1993) and the 'Guidelines for the Management of People with Mental Health Problems' (WHO 1999).

Vendor Revenue by Type of Service



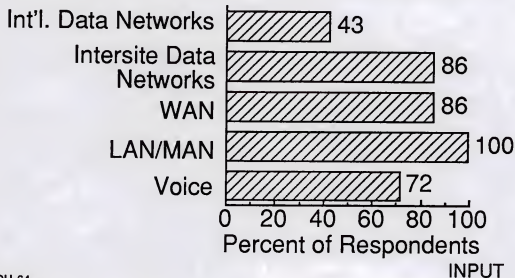
OU-60

INPUT

Notes



User Networks Outsourced

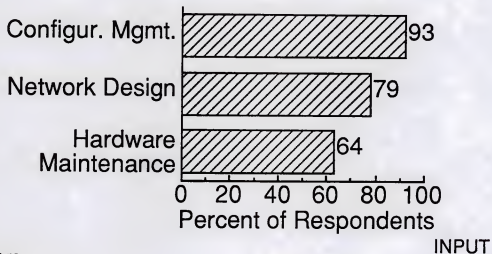


OU-64

Notes



Vendor Functions Provided

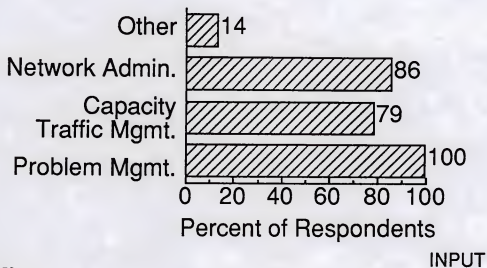


OU-59

Notes



Vendor Functions Provided



OU-58

Notes

the 1990s, the number of people with a mental health problem has increased by 50% (Mental Health Foundation 2000). The prevalence of mental health problems in the UK is estimated to be 10% (Mental Health Foundation 2000).

There is a growing awareness of the need to address the needs of people with mental health problems. The Department of Health (2000) has set out a vision for mental health care in the UK, which is based on the principles of recovery, empowerment, and partnership. The vision is to ensure that people with mental health problems are able to live full and meaningful lives, and that they are able to participate in the community. The vision is to ensure that people with mental health problems are able to access the services they need, and that they are able to make choices about their care.

The vision is to ensure that people with mental health problems are able to live full and meaningful lives, and that they are able to participate in the community. The vision is to ensure that people with mental health problems are able to access the services they need, and that they are able to make choices about their care. The vision is to ensure that people with mental health problems are able to live full and meaningful lives, and that they are able to participate in the community. The vision is to ensure that people with mental health problems are able to access the services they need, and that they are able to make choices about their care.

The vision is to ensure that people with mental health problems are able to live full and meaningful lives, and that they are able to participate in the community. The vision is to ensure that people with mental health problems are able to access the services they need, and that they are able to make choices about their care. The vision is to ensure that people with mental health problems are able to live full and meaningful lives, and that they are able to participate in the community. The vision is to ensure that people with mental health problems are able to access the services they need, and that they are able to make choices about their care.

The vision is to ensure that people with mental health problems are able to live full and meaningful lives, and that they are able to participate in the community. The vision is to ensure that people with mental health problems are able to access the services they need, and that they are able to make choices about their care. The vision is to ensure that people with mental health problems are able to live full and meaningful lives, and that they are able to participate in the community. The vision is to ensure that people with mental health problems are able to access the services they need, and that they are able to make choices about their care.

The vision is to ensure that people with mental health problems are able to live full and meaningful lives, and that they are able to participate in the community. The vision is to ensure that people with mental health problems are able to access the services they need, and that they are able to make choices about their care. The vision is to ensure that people with mental health problems are able to live full and meaningful lives, and that they are able to participate in the community. The vision is to ensure that people with mental health problems are able to access the services they need, and that they are able to make choices about their care.

Desktop Services

A Key Outsourcing Opportunity

OU-65

INPUT

Notes



Elements of Desktop Services

- PC/workstation maintenance
- PC/workstation software installation

OU-66

INPUT

Notes



Elements of Desktop Services

- LAN administration
- LAN expansion
- Help desk functions
- User training

OU-67

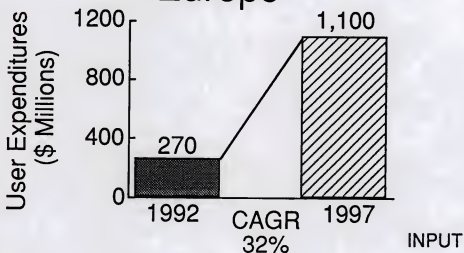
INPUT

Notes

4/15/92



Desktop Services Market Europe



OU-71

Notes



Driving Forces Desktop Services

- Core Business Focus
- Downsizing
- PC/LAN Based Applications
- Technological Change

OU-70

INPUT

Notes



Typical Desktop Contracts in the U.S.

OU-72

INPUT

Notes



JWP/Kodak

- Part III of large outsourcing contract (ISSC/DEC)
- Provide
 - PC/workstation maintenance
 - Software upgrade
 - Help desk services

OU-73

INPUT

Notes



EDS/GE

- Contract valued at \$500 million (5 yrs)
- Provides:
 - PC/workstation central purchasing
 - Establishment of product specs
 - PC/workstation maintenance
 - Software upgrade and training
 - Help desk

OU-74

INPUT

Notes



DEC/Blockbuster Video

- International contract
- Provides:
 - Implementation and start-up service
 - Connectivity to network
 - Help desk
 - Hardware and software upgrade

OU-75

INPUT

Notes



ISSC/Zale Corp.

- Part of large outsourcing contract
- Provides:
 - PC/workstation maintenance
 - Software upgrade
 - Help desk

OU-76

INPUT

Notes



Business Operations Outsourcing

OU-91

INPUT

Notes



Business Operations Market

- Potential market 2 to 5 times information systems expenditures
- Contractors will show reduction in overall costs of 25% or more

IS-38

INPUT

Notes



Business Operations Examples

- Insurance claims processing
- Telephone company yellow pages operation
- Credit card operations
- Coupon processing for retailers
- Fulfillment for direct marketing

IS-39

INPUT

Notes



Conclusions

- Outsourcing is revolutionary
 - Functional responsibility to vendor
 - Increased dependence for clients
 - Increased risk for vendor

OU-46

INPUT

Notes



Conclusions

- Outsourcing is revolutionary
 - Vendor/client partnerships
 - Vendor success tied to client success
 - Vendor provides all services

OU-47

INPUT

Notes



Conclusions

- Outsourcing revolution continues
 - Deals are getting bigger
 - Larger vendors most successful
 - More services being outsourced

OU-48

INPUT

Notes



The Outsourcing Revolution

A new way of doing
business . . . better

OU-49

INPUT

Notes



About INPUT

INPUT is a worldwide consulting and market research firm uniquely focused on the information technology services and software markets. Executives in many technically advanced companies in Europe, North America, and Japan, rely on INPUT for data, objective analysis, and insightful opinions to support their business plans, market assessments, and technology directions. By leveraging INPUT's considerable knowledge and expertise, clients make informed decisions more quickly, and benefit by saving on the cost of internal research.

Since 1974, INPUT has compiled the most extensive research base available on the worldwide information services market and its key segments, providing detailed market forecasts, vertical industry sector analysis and forecasts and analysis of vendor strategies and products. INPUT delivers specific expertise in the fast changing areas of outsourcing, systems integration, EDI/electronic commerce, software development/CASE, and the impact of downsizing.

Consulting services are provided by more than 50 professionals in major international business centers. Clients retain INPUT for custom consulting/proprietary research, subscription-based continuous advisory programs, merger/acquisition analysis and user satisfaction surveys.

Most clients have retained INPUT continuously for a number of years, providing testimony to INPUT's consistent delivery of high-value solutions to complex business problems. To find out how your company can leverage INPUT's market knowledge and experience to gain a competitive edge, call us today.

INPUT OFFICES

North America

San Francisco

1280 Villa Street
Mountain View, CA 94041-1194
Tel. (415) 961-3300 Fax (415) 961-3966

New York

Atrium at Glenpointe
400 Frank W. Burr Blvd.
Teaneck, NJ 07666
Tel. (201) 801-0050 Fax (201) 801-0441

Washington, D.C. - INPUT, INC.

1953 Gallows Road, Suite 560
Vienna, VA 22182
Tel. (703) 847-6870 Fax (703) 847-6872

International

London - INPUT LTD.

Piccadilly House
33/37 Regent Street
London SW1Y 4NF, England
Tel. (071) 493-9335 Fax (071) 629-0179

Paris - INPUT SARL

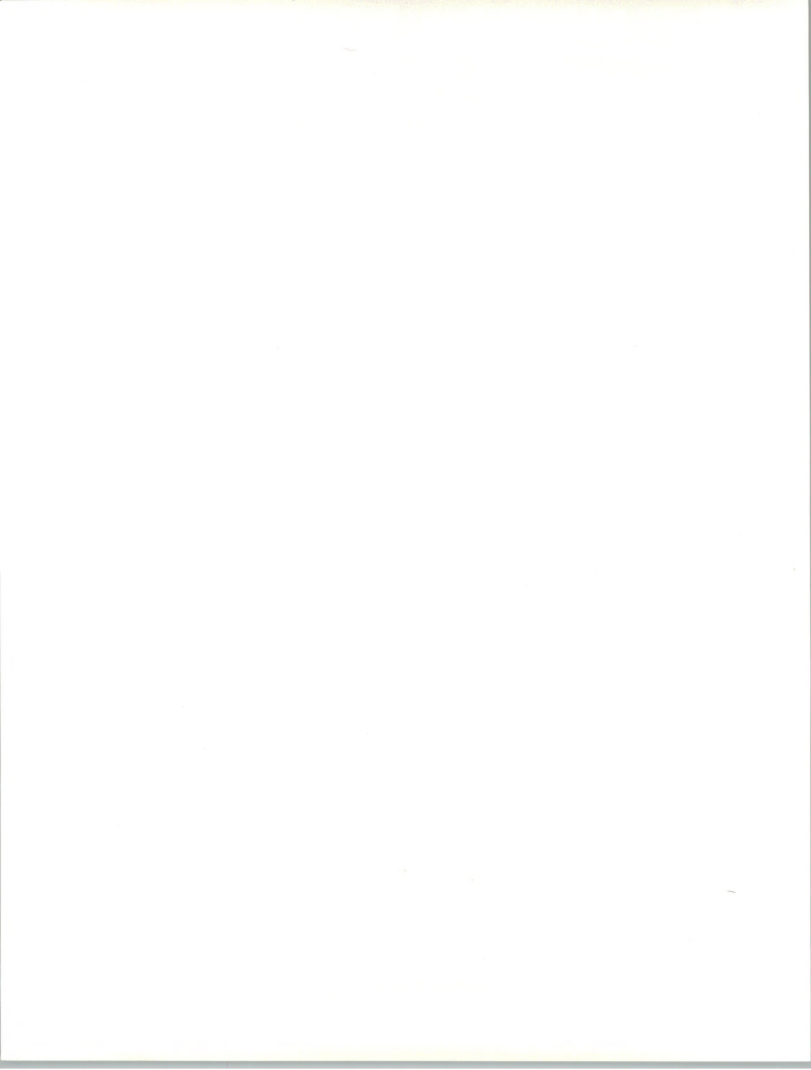
24, avenue du Recteur Poincaré
75016 Paris, France
Tel. (33-1) 46 47 65 65 Fax (33-1) 46 47 69 50

Frankfurt - INPUT LTD.

Sudetenstrasse 9
W-6306 Langgöns-Niederkleen, Germany
Tel. (0) 6447-7229 Fax (0) 6447-7327

Tokyo - INPUT KK

Saida Building, 4-6
Kanda Sakuma-cho, Chiyoda-ku
Tokyo 101, Japan
Tel. (03) 3864-0531 Fax (03) 3864-4114



Major Vendor Strategies

SICO1-JP1-37

